

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 SEOUL 9837

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SUBJ: ROKG REASSURES SUPPORT FOR KOREA WONYANG DESPITE
ARREST OF LEE HAK SOO

REF: SEOUL 6768, SEOUL 9649

SUMMARY: IN AN UNPRECEDENTED ACTION THE MINISTRY OF
FOREIGN AFFAIRS (MOFA) HAS INSTRUCTED ALL ITS EMBASSIES
AND CONSULAR OFFICES NEAR KOREA WONGYANG'S FISHING BASES
AND BUSINESS CONTACTS, AS WELL AS TO THE BUMBLE BEE AND
STARKIST COMPANIES, WHICH ARE JOINT VENTURE PARTNERS OF
KOREA WONYANG (KW), TO REASSURE ALL INTERESTED PARTIES
THAT THE ARREST OF LEE HAK SOO WILL HAVE NO RPT NO
EFFECTS FOR KOREA WONYANG'S BUSINESS OPERATION OR CREDIT
WORTHINESS. THIS MESSAGE ALSO PRESENTS A CHRONOLOGY OF
THE EVENTS LEADING TO LEE'S ARREST AND REFLECTS TYPICAL BUSINESS
CONCERN OVER WHETHER THE SCANDALS IN THE US WILL AFFECT
US-KOREAN ECONOMIC RELATIONS. END SUMMARY.

1. ACCORDING TO KOREA WONYANG SOURCES, CONFIRMED BY
MOFA OFFICERS, FIRM HAS BEEN ASSURED THAT ANTI-CORRUPT-
TION DRIVE SHALL BE PURSUED IN SUCH A MANNER THAT
BUSINESSES AND EMPLOYEES WILL NOT SUFFER FOR THE DEEDS
OF INDIVIDUALS. HENCE, THE CHOHEUNG BANK TEAM, ALREADY
AT WORK WITHIN KOREA WONYANG, WILL SUPERVISE ONLY CASH
FLOW AND PLANNING WHILE THE FIRM'S EXPERIENCED MANAGE-
MENT WILL CONTINUE TO CONDUCT ITS AFFAIRS AS IN THE
PAST (BUT HOPEFULLY IN A MORE RESPONSIBLE MANNER).

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2. AFTER CONSULTATION WITH OFA (OFFICE OF FISHERY AFFAIRS), THE CHIEF OF THE ECONOMIC COOPERATION BUREAU, MOFA, CABLED INSTRUCTIONS ON DECEMBER 8 TO ROK EMBASSIES AND CONSULAR OFFICES NEAR KOREA WONYANG'S AREAS OF BUSINESS ACTIVITY AND FISHING BASES TO ASSURE ALL INTERESTED PARTIES THAT THE FIRM WILL OPERATE AS USUAL AND ITS CREDITWORTHINESS WILL BE SUPPORTED BY KOREAN BANKS AND GOVERNMENT. HE ALSO CABLED SPECIFIC INSTRUCTIONS TO THE CONSULATES AT SAN FRANCISCO AND LOS ANGELES TO CONTACT KOREA WONYANG'S JOINT VENTURE PARTNERS BUMBLE BEE (KOREAN TUNA VENTURES, INC.) AND STARKIST (KORAM FISHERIES CO.) AND INFORM THEM OF THE CONTINUED OPERATION, GOODWILL AND SUPPORT OF THE ROKG FOR KW DESPITE LEE'S ARREST.

3. EMBOFF WAS CONTACTED DECEMBER 10 BY SHIM SANG-JOON, CHAIRMAN OF KMIDC (KOREA MARINE INDUSTRY DEVELOPMENT CORP.), KOREA'S OTHER MAJOR FISHING COMPANY WHO PRESENTED THE CHRONOLOGY OF EVENTS BEHIND LEE'S ARREST. HE SAID HE HAD RECEIVED HIS INFORMATION DIRECTLY FROM THE BLUE HOUSE, THE DIRECTOR OF KCIA, AND DEPUTY PRIME MINISTER NAM DUCK WOO. HIS STORY FOLLOWS.

4. BASICALLY LEE SHOWED THE SEEDS OF TROUBLE WHEN HE STARTED BUILDING HIS \$2 MILLION HOME OVER TWO YEARS AGO. HE WAS APPROACHED AT THAT TIME BY KCIA ON BEHALF OF THE PRESIDENT WITH THE WARNING THAT HE SHOULD NOT ATTEMPT SUCH A CONSPICUOUS DISPLAY OF WEALTH. AT THAT TIME LEE SIGNED A STATEMENT TO KCIA PROMISING NOT TO LIVE IN THE HOUSE BUT TO SELL IT. NEVERTHELESS HE SUBSEQUENTLY MOVED INTO IT ON THE PRETENSE OF SHOWING IT TO BEST ADVANTAGE TO POTENTIAL BUYERS AND MADE NO EFFORT TO SELL IT. SUBSEQUENTLY, WITHIN THE PAST YEAR THE PRINTING INDUSTRY PRESENTED A PETITION TO PRESIDENT PARK STATING THAT LEE WAS USING HIS POSITION AS A MEMBER OF THE REVOLUTIONARY GROUP (SECOND REFTEL) TO UNFAIR ADVANTAGE AND COMPLETELY DOMINATING THE PRINTING BUSINESS IN KOREA. LEE'S PRINTING OPERATIONS HAVE HANDLED ABOUT 60 PERCENT OF GOVERNMENT PRINTING WORK. AT ALMOST THE SAME TIME, SHIM AND OTHER FISHING INDUSTRY LEADERS INFORMED THE PRESIDENT OF THE DAMAGE TO KOREA'S FISHING INTERESTS IN US

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200 MILE WATERS WHICH WOULD FOLLOW FROM THE DESPATCH OF THE YUSHIN HO FLEET.

5. THE ARREST OF KANG MUN-PONG (FIRST REFTEL) PRODUCED EVIDENCE OF PAYMENTS FROM LEE, WHICH TOGETHER WITH THE MOUNTING COMPLAINTS ABOUT HIS ACTIVITIES, CAUSED THE PRESIDENT TO ASK ONTA (OFFICE OF NATIONAL TAX ADMINISTRATION) TO INVESTIGATE LEE'S FINANCES. LEE WAS DISCOVERED

TO BE IN ARREARS FOR 1973-4 AND 5, TO HAVE CONTRIBUTED TO ABOUT NINETY ASSEMBLY MEMBERS (HERE SHIM NOTED THAT LEE HAK SOO IS OUR "PARK TONG-SUN"), AND TO HAVE PERPETRATED ITEMS REPORTED SECOND REFTEL. INCIDENTALLY, LEE DONATED WON 3 MILLION ON TWO OCCASIONS TOTAL WON 6 MILLION) TO SPEAKER CHONG IL-KWON TO HELP WITH THE COST OF REPAIR TO HIS RESIDENCE. ON NOVEMBER 5, THE PRESIDENT WAS DISTURBED BY ANOTHER REPORT FROM SHIM THAT LEE WAS DAMAGING NATIONAL INTERESTS BY INSTIGATING THE FISHING INDUSTRY TO OPPOSE SIGNING THE GOVERNING INTERNATIONAL FISHERY AGREEMENT WITH THE US THEREBY DELAYING ACCOMMODATION TO THE US LAW IN A TIMELY AND REASONABLE MANNER. SHIM HAD INFORMED EMBOFF AT THAT TIME THAT PRESIDENT HAD IN ANGER CALLED IN MOFA AND OFA OFFICIALS FOR AN EXPLANATION. FINALLY, ON DECEMBER 2, SHIM HAD BEEN AT THE BLUE HOUSE WHEN THE KCIA DIRECTOR (THEN SHIM CHIK-SOO), MINISTER OF FINANCE AN DEPUTY PRIME ARRIVED TO RECOMMEND LEE'S ARREST WHICH EVENTUALLY TOOK PLACE ON THE 4TH. THAT GROUP HAD NOT REALLY EXPECTED PARK TO CONCUR IN THE ARREST AND HAD STRESSED THAT LEE WAS ADAMANT IN REFUSING TO LIQUIDATE ALL HIS FIRMS EXCLUDING THE PRINTING BUSINESS IN ORDER TO SETTLE TAXES, RESTORE FOREIGN EXCHANGE LOSSES AND PAY SUITABLE FINES. HE ALSO SAID HE'D "RATHER GO TO JAIL FOR TEN YEARS THAN GIVE UP HIS LIFE'S WORK." A GROUP OF TUNA ASSOCIATION FRIENDS WILL SOON VISIT LEE IN DETENTION TO TRY TO CONVINCE HIM THAT THE GOVERNMENT DOESN'T WANT TO PUNISH HIM BUT DOES WANT TO RECOVER ITS MONEY AND TO ASSURE THAT ALL PAY THEIR TAXES. SHIM OBSERVED THAT HISTORY HAS SHAPED THE NATIONAL CHARACTER IN SUCH A WAY THAT KOREANS ARE NOT A LAW ABIDING PEOPLE UNLESS FORCED TO BE.

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6. IN RESPONSE TO SOME OF THE OBVIOUS QUESTIONS RAISED BY EMBOFF, SHIM STATED THAT THE ROKG HAD NO INTENTION OF GOING AFTER SPEAKER CHONG OR THE (#) WOULD RESPECT THEIR "CONGRESSIONAL IMMUNITY WHILE THEY ARE SERVING IN THE ASSEMBLY." HE NOTED THAT HE HIMSELF IS FROM HAM KYUNG PROVINCE ("ALASKA") AND IS A "POKER PLAYING BUDDY" OF THE SPEAKER WHOM HE KNOWS NOT TO BE CONCERNED ABOUT HIS POLITICAL POSITION. HE AVERRERD THAT LEE (SOCRATES) SANG SOO OF TONG YANG CEMENT, ANOTHER "ALASKAN" WHOSE FIRM IS UNDER ONTA PRESSURE FOR BACK TAXES, HAS NO CONNECTIONS WITH LEE HAK SOO. SHIM SAID THAT EVEN LEE'S TIES WITH "ALASKAN" EX-ASSEMBLYMAN KANG AREN'T VERY DEEP BECAUSE THE TWO WERE INTRODUCED ONLY WITHIN RECENT YEARS BY GEN. KIM, PRESIDENT OF KMIDC UNTIL ITS RECENT MERGER WITH JEDONG INDUSTRIES. SHIM SPECULATED THAT LEE'S ASSETS WILL BE LIQUIDATED REGARDLESS OF THE LATTER'S AGREEMENT, THE ROKG WILL GET ITS MONIES DUE TOGETHER WITH APPROPRIATE FINES, AND LEE WILL PROBABLY HAVE SOMETHING LEFT OVER WITH WHICH TO START ANEW, DEPENDING ON WHAT THE JUDGE DECIDES.

7. TURNING TO HIS CONCERNS OVER US/KOREAN ECONOMIC RELATIONS, SHIM ASKED WHETHER THE POLITICAL SCANDALS AND POLITICAL RIGHTS ISSUE BEING AIRED IN THE US WOULD AFFECT EITHER ROK FISHERY ALLOCATIONS OR BUSINESS IN GENERAL. HE WINCED AS HE REPORTED BEING BRIEFED ON DECEMBER 9 BY THE NEW KCIA HEAD, KIM JAE KYU. HE REMARKED THAT THERE HAD BEEN NOTHING BUT "MISTAKES" BY KCIA STARTING WITH THE "WORST ONE", THE HANDLING OF KIM DAE-JUNG. HE HAD OCCASION TO EXPRESS HIS PESSIMISM OVER POLITICAL DEVELOPMENTS TO DPM NAM. NAM HAD MUSED OVER THE IDEA OF GOING TO THE US, "TALKING TO THE PEOPLE AND CONGRESS, AND TRYING TO TURN THINGS AROUND." CONFIDENTIAL

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BUT THEY BOTH REALIZED THAT IN WASHINGTON NAM WOULD HAVE VERY LITTLE INFLUENCE ON DEVELOPMENT EITHER IN KOREA OR THE US. SHIM EXPRESSED BELIEF THAT ANY INCREASE IN DOMESTIC POLITICAL RIGHTS COULD LEAD TO CONFUSION WHICH COULD ONLY BE FOLLOWED BY NORTH KOREAN MOVES OR ANOTHER MILITARY COUP, ANY OF WHICH WOULD DISRUPT THE ECONOMY. HE SAID THAT AFTER "A FEW MORE YEARS" DURING WHICH THE ECONOMY MIGHT BE PUT ON A MORE SOLID FOOTING, KOREA COULD THINK OF EXPANDING POLITICAL RIGHTS. BUT, BEFORE THAT TIME, HE COULD SEE NO OTHER COURSE THAN THAT BEING FOLLOWED BY PARK. HE INSISTED THAT THE ROKG IS SINCERE IN ITS EFFORTS TO CONTROL CORRUPTION AND ENFORCE TAX COLLECTIONS, THE ACTIONS REPORTED RE LEE HAVE NOTHING TO DO WITH CHONG'S POSITION RE THE NEXT PRESIDENTIAL ELECTION, AND THAT THE TRUTH HE HAD OUTLINED IS KNOWN ONLY TO A VERY SMALL GROUP. HE REGRETTED THAT THE PUBLIC WOULD NOT FIND THE FACTS TO BE CREDIBLE BECAUSE IT PREFERS TO SEE EVERYTHING IN POLITICAL TERMS.

8. COMMENT: SOME OF SHIM'S STATEMENTS, PARTICULARLY REGARDING

THE DOMESTIC POLITICAL ASPECTS OF THE CASE, NEED TO BE ACCEPTED
WITH SOME RESERVATION. HOWEVER, THE CONCERN HE ATTRIBUTES TO
THE ROKG, THAT ITS DOMESTIC ACTIVITIES NOT AFFECT THE FOREIGN
CREDIT RATINGS OF MAJOR KOREAN ENTERPRISES, IS PROBABLY GENUINE.
IT MAY SEEM UNUSUAL THAT SHIM, LEE'S MAIN BUSINESS RIVAL, WAS
EVIDENTLY SELECTED AS THE ROKG'S MESSENGER AT THIS OCCASION
BUT HE HAS BEEN THE EMBASSY'S CLOSEST CONTACT WITH THE FISHING
INDUSTRY IN RECENT YEARS AND HAS PLAYED AN UNUSUALLY CONSTRUCTIVE
ROLE IN THIS REGARD.
SNEIDER

NOTE BY OC/T: (#) OMISSION; CORRECTION TO FOLLOW.

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